



Retirement Board Meeting

February 27, 2015

**Board Meeting
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PRESENT: John Rodgers, Chairperson; Beryl L. Feinberg, Councilmember; Barbara Matthews, City Manager; Stan Seemann, Citizen Representative; Anita McCombs, AAME Representative; Sgt. Chris Peck, FOP Representative; and Derrick Pierson, Union Representative. Also in attendance were Gavin Cohen, Executive Secretary to the Board; Daisy Harley and Karen Marshall, Human Resources; Tim Peifer, Finance Department; Bob Brewer, Public Works; as well as Ryen Sherman, Segal Rogerscasey, Inc.

Councilmember Feinberg arrived at 9:40 a.m.

The meeting commenced at 9:00 a.m. with introductions. After the introductions, Mr. Rodgers introduced Mr. Stan Seemann to the Board, who had been appointed as the second Citizen Representative to the Board.

I. Approval of minutes September 12, 2014:

Ms. Matthews made a motion to approve the minutes subject to the changes that were discussed; one being the spelling of Mr. Seemann's name. He clarified it is spelled with two n's. The other was the list of suggested clerical changes from Ms. Matthews. Sgt. Peck seconded it. All were in favor.

II. Thrift Plan Beneficiaries IPAD Drawing (Channel 11 Live):

The IPAD drawing was broadcast by Channel 11. Mr. Rodgers explained the purpose and procedure of the drawing. Mr. Cohen stated that the drawing was sponsored by the Retirement Board. He said the Retirement Board has seven members; one from City Management, one from Mayor and Council, one from each of the three employee groups and two citizen representatives and he then introduced each Board Member. He stated that there are \$135 million in assets across all of the Retirement Plans. He explained that the Board acting as a fiduciary represents the plan participants. Mr. Cohen said two goals of the Board for the IPAD drawing are to increase the number of plan participants who have selected a beneficiary and to increase plan participants' use of the web site. During the raffle drawing period, the amount of increase in use of the web went from 32 percent to 43 percent and the increase of people participating in designating beneficiaries went from 146 to 186. Mr. Cohen said that using the web site helps participants understand what the Board does on their behalf. Mr. Rodgers asked Mr. Seemann to draw the name of the first IPAD recipient as his first duty on the Board. Sgt. Peck drew the next recipient's name. The winners were Mark Sanoir and Greg Lyons.

III. Follow Up Education Meetings:

Ms. Harley gave a report on the educational sessions held on February 4 and 5. She said the topic was "Investment Basics". The meetings were held at the Gude Drive and City Hall locations. She stated that 47 employees signed in at City Hall and 33 signed in at Gude Drive. There were 22 responses from session attendees to the request for feedback and most of those were positive. 57 percent of the responses were a rating of 5 or excellent, 24 percent were a 4, 14 percent were a 3 and 5 percent rated the session as poor.



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The next sessions will be held in May. The topic will be "Retirement Readiness". It will be broken down to two groups, the 20-30 age bracket and the 40-60 age bracket. Following that will be "Investment II". Ms. Harley told the Board that she wanted to schedule this session in September, but there is a conflict with the current trainer. She said she could use a new trainer, but she preferred to use the current one since she was more familiar with our plans. Mr. Rodgers deferred to Ms. Harley's judgement on this. Mr. Rodgers requested a long range schedule of training and Mr. Cohen said it would be available at the November meeting. Mr. Rodgers thanked Ms. Harley for her report.

IV. Pension Funding Policy:

Mr. Cohen gave a history of the new policy. He said it was discussed at the last meeting, which the actuary attended to present some of the concepts. He said Mr. Rodgers made some redline changes to the wording of the original draft and Mr. Cohen went through some of them for the Board. Mr. Rodgers questioned the interpretation of the different colors. Mr. Cohen said the blue changes are Mr. Rodgers suggestions and the red changes are his. Some proposed wording changes to reflect that the Board is subordinate to the City, thus 1) the Board will advise, not state, what the City will do, and 2) the Board will strongly recommend rather than expect the City to take actions. Section III is rewording by Mr. Graby at the request of the Board at the last meeting. Mr. Cohen said Mr. Rodgers did a good job in Section V in getting the Board's ideas across. Ms. Matthews questioned in Section IV,Actuarial studies are completed every four to six years..., asking is that the minimum at the Board's direction? She also said references to the "Plan" should be standardized to upper case throughout. Mr. Rodgers asked if there should be a vote at this point. It was decided to bring the amended draft of the policy back as a clean document to the next Board meeting for final review and decision.

V. Thrift Plan - Investment Policy:

Mr. Cohen stated since the last Board meeting the Thrift Plan Investment Policy has been updated. Mr. Rodgers volunteered to make the necessary red line changes. After some discussion, it was decided to bring back for reintroduction, a clean draft of the Thrift Plan Investment Policy including all the red line changes and excluding section nine. That section nine will be as a separate and accompanying document. The Board will vote on the Policy at the next meeting.

VI. Investment Performance Review Quarter End December 31, 2014:

Mr. Sherman from Segal presented these reports. He started with stating that Segal's role as investment consultant is to advise on the performance of investments of the Plan.

Pension Fund

Mr. Sherman started with the Pension Fund Performance. He said the Pension Fund returned 6.1% for the year, which outpaced the benchmark and amounted to about a \$5 million total increase with \$4.4 million attributable to investment gains. The asset allocation is in line with the



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guidelines, but slightly overweights large cap equity, small cap equity and GTAA. The majority of the managers outperformed their respective benchmarks for the year.

Mr. Sherman noted that Principal replaced the PIMCO total return on their platform effective February 20, 2015. The assets were transferred to the Principal bond and mortgage fund. Since the fixed income options are limited on the Principal platform, Mr. Sherman suggested moving half the fixed income assets to a Barclays Aggregated Bond Index fund on Principal's platform to satisfy the benefit index requirement and doing a search for an outside alternative bond manager. The Board would like to review the search at the next meeting and see the impact to the benefit index.

Thrift Plan

Mr. Sherman reported the total assets of the Thrift Plan ended the quarter at \$26.1 million. The Principal Preservation Fund is the most utilized investment option and accounts for 23.4% of assets. The utilization rate of Goal Maker increased to 41.1% and comprised 33.7% of total assets.

Prudential replaced PIMCO as the sub-advisor of the core bond fund in December 2014. Prudential is the new manager.

Mr. Sherman reviewed Segal Rogerscasey's proprietary mutual fund scoring system and each of the funds scored an A or B, which is above average and requires no action.

The Board decided to map the assets from the PIMCO Real Return Fund to the Principal Diversified Real Asset Fund. The PIMCO fund had a very low utilization of 0.24% of assets with only seven participants. The Principal fund has a similar object of an inflation hedge and is part of the Goal Maker portfolio.

Mr. Sherman noted that Prudential never reduced the stable value fee from 35 to 27 bps even though they received direction from the client in conjunction with the reduced fee. They are planning to reimburse those participants. Prudential also agreed to reduce their fee further from 27 bps to 25 bps effective April 1, 2015.

Retiree Benefit Trust

The fund returned 6% for the year, which amounted to \$300,000 in total with \$209,271 attributable to investment gains. Manning & Napier has maintained an overweight to equity, which has proved beneficial over the past few years. Segal will look to further diversify the assets and managers as the assets continue to grow.

VII. Fund Manager Search Thrift Plan – Replace PIMCO Real Return Fund:

Mr. Sherman said that Segal did a search for a fund manager search to replace the PIMCO Real Return Fund. After some discussion among Board members, Mr. Seemann made a motion to combine and close PIMCO Real Return Fund and map participants to Principal Diversified Real Asset Fund. Councilmember Feinberg seconded it. All were in favor.



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VIII. Future Agendas:

- Pension Funding Policy
- Thrift Plan Investment Policy
- Discussion on Moving Prudential 457 to ICMA 457

Ms. Matthews made a motion to adjourn. Mr. Pierson seconded it. All were in favor.

Meeting adjourned at 11:30 a.m.